

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MANAGEMENT SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING PROCEDURE

TOPIC: Contract Administration 2.0 Section 15-Contract Administration	EFFECTIVE DATE: 5/15/91
TITLE: Required Standard Contract Language	REVISION DATE: 9/14/95
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BACKGROUND

The Department of Health and Social Services enters into many contracts with municipal, non-municipal vendors and individual private providers in the normal course of business. This document has been developed to provide guidance in areas which should be included in every departmental contract.

POLICY

The following standard language is to be used in all aid contracts with providers and grantees. (This does not include the State/County contracts, State Interagency agreements or other non-aid type contracts such as consulting, training, etc.). The language as written refers to "grants, grantors and grantees"; in some cases, it is appropriate to substitute "contracts and contractors."

If a particular provision does not apply, it should be stricken and a note made for the file as to why the provision was not used. If language is added, a file note should be made describing the reason for the addition.

PROVISIONS ARTICLE ###: Fiscal, Audit and Accounting Provisions

A. **Changes in Accounting Period**

1. The Grantee's accounting records are maintained on a (calendar/fiscal) year basis, beginning (Month Day) of each year. During the grant period, the accounting period may only be changed with prior written approval from the Grantor. The Grantor may approve a change in accounting period only if the Grantee has a substantial, verifiable business reason for changing the accounting period and agrees to submit a close-out audit, as defined in section (###), within 90 days after the first day of the new accounting period.
2. Proof of Internal Revenue Service approval shall be considered verification that the Grantee has a substantial business reason for changing their accounting period.

3. A change in accounting period shall not relieve the Grantee of reporting or audit requirements under this agreement. An audit meeting the requirements of this contract shall be submitted within 90 days after the first day of the start of the new accounting period for the short accounting period and within 180 days of the close of the new accounting period for the new period.
For purposes of determining audit requirements, expenses and revenues incurred during the short accounting period shall be annualized.

B. **Auditing Requirements**

1. The Grantee shall inform the Grantor as to the type of audit required (if any) by OMB Circular A-133 or A-128, as appropriate.
2. The Grantee shall submit to the Grantor a certified annual audit report within 180 days of the close of the fiscal year, unless waived by the Grantor. The audit shall be conducted and reports submitted in accordance with applicable state and federal regulations and guidelines and professional standards, including, but not limited to: OMB Circulars A-133 and A-128; the Department's *Provider Agency Audit Guide*; the Department's *Allowable Cost Policy Manual* (select for non-profits) or *Financial Management Manual for Counties, Tribes and 51 Boards* (select for referenced organizations); Section 46.036 of the Wisconsin Statutes; and Generally Accepted Auditing Standards.
3. When the Grantee's fiscal year is not the same as the grant contract period, a bridging schedule shall be prepared and included in the certified annual report. The bridging schedule shall identify costs to grant contract period. The bridging schedule may be part of the Schedule of Federal and State Financial Assistance.
4. The Grantee shall submit with the certified annual audit report a copy of the Management Letter received from the auditor. If the auditor does not issue a Management Letter, the Grantee shall submit a written assurance to the Grantor that a Management Letter was not submitted because the audit firm did not issue one. Documents issued by the auditor, which contain information comparable to that which would be issued in a Management Letter, under another title shall be considered Management Letters for purposes of this agreement.
5. When contracting with a CPA firm, the Grantee shall authorize its auditor to provide access to work papers, reports and other materials generated during the audit to the appropriate representatives of the Department.
6. Grantor reserves the right to conduct an independent audit if Grantee fails to secure an audit covering all funds, or a follow up review of selected areas is determined to be necessary. In the

event that the Grantee fails to secure an audit, Grantor's costs for completing an audit will be charged back to Grantee.

C. Close-out Audits

1. A grant specific audit of an accounting period of less than 12 months is required when a grant contract is terminated for cause, when the Grantee ceases operations or when the Grantee changes its accounting period (fiscal year). The purpose of the audit is to close-out the short accounting period. The required close-out grant specific audit may be waived by the Grantor upon written request from the Grantee for grants, except when the grant contract is terminated for cause. The required close-out audit may not be waived when a grant is terminated for cause.
2. The Grantee shall ensure that its auditor contacts the Grantor prior to beginning the audit. The Grantor or their representative shall have the opportunity to review the planned audit program, request additional compliance or internal control testing and attend any conference between the auditor and the Grantee. Payment of increased audit costs, as a result of the additional testing requested by the Grantor, is the responsibility of the Grantee.
3. The Grantor may require a close-out audit with all audit requirements specified in section (###). In addition, the Grantor may require that the auditor annualize revenues and expenditures for purposes of applying OMB Circulars A-133 and A-128 and determining major federal financial assistance programs. This information shall be disclosed in a note to the schedule of Federal awards.

D. Accounting Requirements

1. For agreements of twenty-five thousand dollars (\$25,000) or more, the Grantee shall maintain a uniform double entry, full accrual accounting system and a financial management information system in accordance with Generally Accepted Accounting Principles.
2. For agreements of less than twenty-five thousand dollars (\$25,000), the Grantee is encouraged to maintain a uniform double entry, full accrual accounting system and a financial management information system in accordance with Generally Accepted Accounting Principles, but shall at least maintain a simplified double entry bookkeeping system.
3. The Grantee's chart of accounts and accounting system shall permit timely preparation of expenditure reports required by the Grantor as defined in section (###).
4. The Grantee shall reconcile costs reported to the Grantor for reimbursement or as match to expenses recorded in the Grantee's accounting or simplified bookkeeping system, as determined under section (###), on an ongoing and periodic basis. The Grantee

agrees that reconciliations will be completed at least quarterly and will be documented. The Grantee shall retain the reconciliation documentation in accordance with the records retention requirement specified in section (###).

E. **Other Assurances**

1. **Liabilities**

- a. The Grantee shall notify the Grantor, in writing, within 30 days of the date payment was due of any past due liabilities to the federal government, state government or their agents for income tax withholding, FICA, Workers' Compensation, Unemployment Compensation, garnishments or other employee related liabilities, Sales Tax, Income Tax of the Grantee, or other monies owed. The written notice shall include the amount(s) owed, the reason the monies are owed, the due date, the amount of any penalties or interest, known or estimated, the unit of government to which the monies are owed, the expected payment date and other related information.
- b. The Grantee shall notify the Grantor, in writing, within 30 days of the date payment was due of any past due liabilities in excess of \$500, or when total past due liabilities exceed \$1000, related to the operation of this grant for which the Grantor has or will reimburse the Grantee. The written notice shall include the amount(s) owed, the reason the monies are owed, the due date, the amount of any penalties or interest, known or estimated, the vendor to which the monies are owed, the expected payment date and other related information. If the liability is in dispute, the written notice shall contain a discussion of facts related to the dispute and information on steps being taken by the Grantee to resolve the dispute.

2. **Reconciliation**

The Grantor may require written assurance, quarterly, that the Grantee has reconciled costs, receipts and refunds reported to the Grantor, for reimbursement or as match, to the expenses and revenues recorded in the Grantee's accounting records and that all necessary adjustments have been reported to the Grantor or recorded in the accounting records, as appropriate. Upon request from the Grantor, written documentation of reconciliations may be required.

3. **Bonding**

The Grantor may require written assurance at the time of entering into this agreement that the Grantee has in force and will maintain for the course of the agreement employee dishonesty bonding sufficient to hold the Grantor harmless in the event of an employee fraud or defalcation.

4. Non-Compliance

The Grantee shall provide written notice to the Grantor of all instances of non-compliance with the terms of this grant contract, including non-compliance with any written assurance provided by the Grantee to the Grantor. Notice shall be given as soon as practical but in no case later than 30 days after the Grantee knows, or should have known, about the non-compliance. The written notice shall include information on reason(s) for and effect(s) of the non-compliance.

5. Debarment or Suspension

The grantee certifies that neither the grantee organization nor any of its principals are debarred, suspended, or proposed for debarment for federal financial assistance (e.g. General Services Administration's *List of Parties Excluded from Federal Procurement and Non-Procurement Programs*). The grantee further certifies that potential subrecipients, contractors, or any of their principals are not debarred, suspended or proposed for debarment.

6. Related Party Transactions

If the grantee plans to use a related party (see DHSS *Allowable Cost Policy Manual* for a definition of related party and allowability of costs associated with related parties) in the provision of services under this agreement, the grantee agrees to the following:

- a. Prior to the execution of this agreement, the grantee shall obtain from the grantor, approval of a written detailed description of the business to be transacted with the related party, the terms of reimbursement or transactions between the parties, and an estimate of the volume of business with the related party. The approved description shall be incorporated into this agreement by reference.
- b. Provide to the grantor such information as may be requested to enable it to approve the written agreement referred to in item #a above.
- c. Notify the grantor if the actual amount and/or type of business conducted with the related party during the contract period differs significantly from the approved written description.
- d. Require that the related party follow all federal, state, and grants and financial management rules as they apply to related parties.
- e. Require an audit of the related party (regardless of the type of organization of the related party). The audit may be either consolidated with the grantee's audit or be a separate audit in accordance with requirements established by the department in conformance with federal circular A-133, if

applicable; the *Provider Agency Audit Guide*; and the *Allowable Cost Policy Manual*. The audit shall identify related party transactions including a schedule showing actual allowable costs incurred in providing goods or services by the related party. The grantee agrees to provide the grantor with a copy of the related party's audit upon request.

F. **Cost of Services**

1. This Agreement includes the time period _____. In consideration of the services provided, the Department agrees to pay the Grantee an amount not to exceed _____. This amount is contingent upon receipt of funds by the Department.
2. The Grantor will not make payments for costs in excess of the contract amounts or incurred outside the grant period.

G. **Payment for Services**

1. a. **Prepayments** [choose option a. or b.]

The Department, following execution of this Agreement, shall pay to the Grantee one-(fill in the fraction of the grant to be pre-paid, fraction cannot exceed one month's payment) of the Grant amount in each of the first (fill in the number of months for which a pre-payment will be made, no more than three pre-payments may be made) months of this Agreement. These prepayments may be reduced at any time during the period of the agreement if the Department determines that such prepayments are in excess of the Grantee's reported expenses.

b. **No Prepayments**

The Department, following execution of this Agreement, shall make no prepayments to the Grantee.

2. Further payments [if no prepayments, delete "further"] will be made monthly based on expense reports submitted by the Grantee. Claims for reimbursement of allowable costs shall be submitted to the Department not later than [grantor to insert appropriate day between the tenth and the thirtieth] of the month following the month in which costs are incurred.

The Grantee shall submit a request for reimbursement to the Department [Insert appropriate form title and/or number]. Payments which exceed allowable costs incurred and paid by the Grantee pursuant to the terms of this Agreement, if outstanding at the expiration of this Agreement, will be repaid to the Department within thirty days of invoicing by the Department. Payments, pre-payments and reported expenses shall be reconciled by the Department in accordance with state procedures.

If Grantee fails to return funds paid by Grantor in excess of the allowable cost of the services provided, Grantor may recover from Grantee any money paid in excess of the conditions of this agreement from subsequent payments made by Grantor to Grantee or may recover such funds by any legal means.

3. Payments shall be used for only current contract year expenses.

4. **Payment Mailing Dates and Mailing Address**

- a. **Non-Municipalities.** All payments shall be mailed by the Department on the last working day of each month, except for the July payment, which shall be mailed the first working day of July.
- b. **Municipalities.** All payments shall be mailed by the Department on the last working day before the fifth day of the month.
- c. **Mailing Address.** Checks will be mailed to address specified in the contract unless otherwise notified by the Department in writing.

- H. **Reporting**

1. The Grantee shall comply with the fiscal and program reporting requirements of the Department. Any required reports will be forwarded to the Department according to the schedule of the Department.

- I. **State and Federal Rules and Regulations**

1. The Grantee agrees to meet State and Federal service standards and program policies as expressed by State and Federal law applicable to the services covered by this grant contract.

- J. **Surety Bond**

1. The Grantor may require the Grantee to have a surety bond of at least \$(list the dollar amount). The surety bond shall be in force for the period of the grant contract.

- K. **Final Report Date**

1. The due date of the final report shall be [insert date].
(Explanatory note: Ninety days after the contract ending date is preferred. The period can be shorter without BFS approval. Periods longer than 90 days after contract ending date require BFS approval.)
2. Expenses incurred during the grant period but reported later than the final report due date in section (###) will not be recognized, allowed or reimbursed under the terms of this grant.

L. **Federal Reporting**

1. Failure to submit the statistical data by the dates specified in the reporting instructions, attachment (###) shall result in the Department withholding payment for services provided in accordance with this grant contract.

M. **Sanctions**

1. The Grantee shall comply with all requirements under this grant on contract. Instances of non-compliance shall be corrected promptly and reported timely by the Grantee to the Grantor. If the Grantor becomes aware of non-compliance with this contract, either through notice from the Grantee or through other means, appropriate procedures shall be instituted to protect the interests of the Grantor. If audits or other required information are not submitted timely, sanctions may be applied.

N. **Indemnity**

1. Each agency agrees that it shall be responsible for any losses or expenses (including costs and attorney's fees) attributable to the acts or omissions of its officers, employees or agents.

O. **Timely Contract Signing**

1. This agreement becomes null and void if the time between the earlier dated signature and the later dated signature on this contract (or addendum) exceeds sixty (60) days inclusive of the two signature dates.

REFERENCES

OMB Circular A-128 (*Audit of State and Local Governments*) and A-133 (*Audits of Institutions of Higher Education and Other Non-Profit Institutions*)
Wisconsin Statutes 46.036
DHSS Allowable Cost Policy Manual
DHSS Financial Management Manual for Counties, Tribes and 51 Boards
DHSS Provider Agency Audit Guide

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